

How Will You Spend the Last Third of Your Life?

The Last Third

Utahns live longer than other Americans and women outlive men. Will you live to see 100? How are you planning to finance a two-to-three-decade-long retirement? Do you plan on being dependent on your children after you retire? It's time to start planning for financial security in later life.

The Center for Retirement Research projects that 45 percent of working-age households will not maintain their level of living during retirement. Most women will be single or widowed in old age. Sadly, with few exceptions, to be old, female, and single is to be poor. What does this mean for women?

On average, full-time women workers earn 76 cents for each dollar men earn. Women account for 47 percent of the work force, but 72 percent of part-time workers are female. Have you considered investing in your human capital? Additional training or education can improve your wage.

Perhaps in response to lower wages and a desire for flexibility, female entrepreneurship is growing; one in 11 adult women owns a business. However, business owners must provide their own benefits.

Beyond wages, employee benefits are essential in ensuring future financial security. Health (and disability) insurance and retirement benefits are directly linked to employment. To go

without health insurance for yourself or your children is to take enormous risks in your long-term health outcomes and financial security.

Are you lacking adequate benefits? Utah's unemployment rate is very low; maybe it's time to look for another job that offers better benefits (but don't leave before your retirement contributions are vested).

Planning for retirement is essential for all workers, but especially for women. The traditional approach to retirement has been the three-legged stool of Social Security, employer-provided pension and individual savings. However, due to the decline of traditional pensions, individual savings, the switch to defined contribution retirement plans (dependent on employee contributions), and growing healthcare costs, future retirees will need to supplement the three sources with earnings by working longer or continuing to work part-time in "retirement."

Many employers offer a defined contribution plan, a.k.a. 401(k). Your employer may match your contributions up to a certain percent of your salary. If your employer doesn't offer a retirement plan or if you are not eligible to participate (due to working part-time), you need to consider making some changes.

Ask the human resources department: What kind of retirement plan do you offer? What are the requirements to par-

Will you maintain your level of living during retirement?



ticipate? Am I contributing enough to receive a full match? Do I need to work more hours to be eligible?

If you are self-employed, you are responsible for your health insurance and retirement planning, which can be accomplished via an SEP-IRA.

Investing using compound interest (time value of money) is essential. The sooner you start investing, the faster your money will grow; \$1,000 invested at 8 percent for 20 years will grow to \$4,661 (\$3,661 is due to compounding). To delay is to forfeit the powerful benefits of compounding.

Time is a four-letter word. It can work for or against you. A focus group of women stated: "I don't have time to learn about retirement planning and employee benefits; I'm too busy keeping up with daily demands. I have lots of time before I have to start planning for retirement. I'll do that after my kids leave home." If you don't want to work until you drop, it's time to evaluate your retirement security.

Take action. Calculate your life expectancy. Take steps to earn an adequate wage. Check out your benefits package with your employer. Learn more about investing for retirement. Take control of your future financial security now.

Web Sites

- Life Expectancy Calculator—<http://www.livingto100.com/>
- What You Should Know About Your Retirement Plan—<http://www.dol.gov/ebsa/publications/wyskapr.html>
- Financial Security in Later Life—http://www.csrees.usda.gov/nea/economics/fsll/cons_intro.html
- Retirement Planning for Boomers and Beyond—http://www.csrees.usda.gov/nea/economics/fsll/publications/pace_guide.pdf
- Guidebook to Help Late Savers Prepare for Retirement—<http://www.nefe.org/latesavers/index.html>
- Ball Park E\$timate—<http://www.choosetosave.org/ballpark/>
- Taking the Mystery Out of Retirement Planning—<http://www.dol.gov/ebsa/publications/NRTOC.html>
- Planning for a Secure Retirement—<http://www.ces.purdue.edu/retirement/>
- Women & Financial Planning; Small Steps to Health and Wealth—<http://njaes.rutgers.edu/sshw/>
- Utah Saves—<http://www.utahsaves.org/>
- Financial Planning for Women—<http://www.usu.edu/fpw>
- Women's Institute for a Secure Retirement—<http://www.wiserwomen.org>
- Women's Institute for Financial Education—<http://www.wife.org/index.html>
- Money Club—<http://moneyclubs.com/>

